

# outlook

EDITION TWO 2013

## *Life lessons* with **Layne Beachley**

*Insights from*  
a fund manager

Healthy,  
wealthy & wise

*The changing*  
face of SMSFs

Cutting-edge  
*Christmas ideas*



**GODFREY PEMBROKE**  
Financial Advice Specialists

Toll Free Enquiry Line  
1800 023 867

godfreypembroke.com.au

Published by  
MLC Limited ABN 90 000 000 402  
© Godfrey Pembroke Limited 2009

Registered address:  
105-153 Miller Street,  
North Sydney NSW 2060

Welcome to the summer issue of Outlook for 2013



Sean Allen  
General Manager  
Godfrey Pembroke

As 2013 starts drawing to a close, it's a good time to reflect on the year that's been - and look forward to what's ahead.

Politically, it was a year of change - with the September Federal election ushering in a new Prime Minister and government.

Economically, despite the short-term dramas of the US government shutdown and debt-ceiling negotiations, global economic

conditions, particularly in Europe, have improved. Meanwhile, consumer confidence has picked up at home following the election. And with the ASX 200 reaching record highs in 2013, we look forward to continued momentum into the coming year.

On a personal note, since stepping into the role of General Manager of the Godfrey Pembroke network in August, I've been impressed by the professionalism of our affiliated advisers and their commitment to achieving results for their clients. Our Active Advice article, featuring *Body + Soul* magazine's editor, Gemma Sutherland, and her adviser, Craig Milroy, is a great example of how our advisers are helping their clients achieve their financial and lifestyle goals.

As we come into summer, we thought it fitting to find out what Australia's favourite surfer, Layne Beachley, has been up to, and ask her for some tips on getting into top shape for the season. An inspiration in the water, in

her personal life, and in empowering other talented young women, she's undoubtedly a national treasure.

Our regular feature, Insights from a Fund Manager, looks at the benefits of tailored portfolio diversification, particularly for high net wealth clients. We also talk to two industry specialists about the changing face of SMSFs, and what to consider when deciding whether or not an SMSF may be appropriate for your personal situation.

I'd like to thank you for being part of the Godfrey Pembroke community in 2013, and wish you a happy and prosperous year ahead. As always, if you have any feedback or suggestions for the magazine, simply email us at:

outlook@godfreypembroke.com.au

Yours sincerely,

Sean Allen  
General Manager,  
Godfrey Pembroke Limited

## In this issue



4

### Enjoying life Life lessons with Layne Beachley

After achieving unsurpassed success in her sport, Layne Beachley has turned her attention to helping other young women reach their dreams. We talk to the seven-time world champion surfer about the challenges she's faced and the value of self-belief.



8

### Investments Insights from a fund manager

We talk to Michael Karagianis, Head of MLC's Private Investment Consulting team, about Portfolio Solutions, investment strategies and risks as well as his outlook for the Australian market over the next financial year.



12

### Active advice Healthy, wealthy & wise

Gemma Sutherland, editor of *Body + Soul*, suspected her finances weren't in such great shape. With the help of Godfrey Pembroke Financial Advice Specialist Craig Milroy, Sutherland has built a financial plan that allows her to focus on achieving her lifestyle goals and values.



16

### Specialisation The changing face of SMSFs

We look at how this dynamic sector is changing, and what it might mean if you're thinking about starting an SMSF.



20

### Perspective Cutting-edge Christmas ideas

If you're looking to splurge on something a bit different this year, we've put together a list of interesting and unique gifts that's sure to delight even the hardest to please.

*“In the 70s, we were expected to sit on the beach and mind the boys’ keys and sunbake - we weren’t really appreciated in the line-up.”*

# *Life lessons* with **Layne Beachley**

Layne Beachley is no stranger to success. Her achievements in the surfing arena and sporting world alone are enough to inspire awe. Beachley is, statistically, the greatest female surfer in history. She’s won seven Association of Surfing Professional (ASP) world titles, six of them consecutively, and 29 World Championships.

Beachley is the only surfer, male or female, to win six ASP titles in a row, is one of the top 10 most influential surfers in Australia, and ranks number three in Australia’s top 100 sportswomen of all time. In 2006, she was inducted into the Surfing Hall of Fame - and still, the list goes on.

**Layne Beachley**  
Scorpion Bay, Mexico

### Life after surfing

Although Beachley retired from competition in 2008, it's fair to say she still leads an incredibly active life.

Beachley retains her links with her greatest passion, surfing, as a member of the Board of Surfing Australia. And for the last seven years, she's staged the Beachley Classic at Dee Why Beach, the richest ASP Women's World Tour Event.

And then there are the multitude of charities and community organisations that Beachley helps, including environmental organisation Planet Ark, the Laureus Sport For Good Foundation, Northern Beaches local cerebral palsy charity, Sunnyfield, and the National Breast Cancer Foundation.

If that wasn't enough, 10 years ago, Beachley set up the Aim For The Stars Foundation, which provides financial and emotional support to help young women pursue their dreams. As well as managing her responsibilities as Director of the Foundation, Beachley is a sought-after motivational speaker.

### Finding the right lifestyle balance

So with such an incredibly full life, what does Layne Beachley do to unwind?

"I go surfing!" she exclaims, laughing.

"That's my number one passion still. I do it every single day, except when there's no surf, and then I'll train. I just love being in nature and fortunately I live in a special part of the world - Sydney's northern beaches. As long as I'm connected to nature that's the easiest way for me to unwind. If I'm not near water then I like to walk barefoot in the grass."

Beachley travelled all over the world in her surfing career, but she returned to live in the northern beaches of Sydney, which she loves.

"We have the most beautiful beaches in the world," she says enthusiastically.

"I love how the beach naturally endorses a healthy, active lifestyle. I also love the laidback nature of people who live by the coast."

### Overcoming challenges

Layne's natural positivity and enthusiasm belies the fact that she has faced some incredibly tough challenges, both in her personal and professional life. Trying to compete in the male dominated surfing world was just one of them.

"The first barrier I noticed was the lack of acceptance and encouragement for women to be in the water, especially surfing," she says.

"In the 70s, we were expected to sit on the beach and mind the boys' keys and sunbake - we weren't really appreciated in the line-up."

Beachley says she overcame the lack of support and acceptance by having a clear goal and establishing some self-defining values.

"Those values and goals enabled me to stand up and fight for what I believed in," she explains. Her fight also helped pave the way for other female surfers.

"I believed that I had just as much right to be in the water as the guys did. I also believed that I had the ability to do what I wanted to do, which was to become a world champion. And I understood that I needed to surround myself with people who were encouraging, supportive and positive."

Beachley says getting in touch with her values has been the thing that has enabled her to overcome considerable challenges in her life, including the death of her mother when she was only six years old, then finding out at age eight that she was adopted. Throughout her

career she struggled through a lack of sponsorship, as well as chronic fatigue, heartache, injuries and losing her stepmother to breast cancer at age 30.

"Just having goals and maintaining my sense of purpose and passion has enabled me to stay true to me," she says.

### Helping turn dreams into reality

After experiencing the hardship of trying to finance her own surfing career, Layne Beachley set up the Aim For The Stars Foundation so that other women who had not just a dream - but a concrete goal - would have the financial and moral support to make it a reality.

The Foundation is now 10 years old, and has helped over 300 girls - with more than half a million dollars worth of grants to help them achieve success. Some of the recipients include Hockeyroos star Casey Eastham, Olympic BMX medallist Caroline Buchanan, barrel racing and rodeo rider Bianca Herte, and ballet dancer Jessica Brown.

The Foundation also helped youth worker Shannon La-vey, who - after escaping the cult into which she was born and with no previous formal education - earned a degree from the prestigious Monash University in May this year.

"I'm proud that we're a niche charity, providing financial and moral support to women who have initiative and drive and passion," says Beachley.

"There are many other charities out there who help those who can't help themselves. I'm all about giving the girls a bit of a step up. Sometimes it just takes someone outside you to believe in you more than you do."

### Finding inspiration

As well as inspiring her Aim For The Stars recipients, Layne Beachley also regularly appears as a motivational speaker. So who is Layne Beachley's role model?

"My dad is my biggest inspiration," she says proudly.

"He's an amazing human being. He's endured so much adversity and challenge yet still continues to remain high-spirited, and he loves to help others. He's my grounding rock in my life. He's been the one constant who's been there through thick and thin and of course, always will be."

With her high profile resulting in a large number of charities requesting her support, Beachley says it can be difficult to choose which ones to help.

"I pick charities that align with my values...ones that address issues or challenges that I'm passionate about. I'm passionate about the environment, that's why I work with Planet Ark. My stepmother died of breast cancer - so obviously that's something I'm passionate about."

While Beachley says she'd like to be able to help every charity that has asked her for her support, she has learned her limits and knows she needs to take care of her own health. This is one of the lessons that suffering from chronic fatigue taught her.

"I learnt to prioritise my health, because without it I was no use to anybody," Beachley says.

"It was pretty debilitating physically, emotionally and mentally. But my commitment to myself, my love of surfing and my desire to become a world champion helped me to come through."

## Layne Beachley's seven tips for staying fit and healthy this summer

- 1 Prioritise your health**  
Looking after my health enables me to work more efficiently and effectively.
- 2 Challenge your thoughts**  
If we allow ourselves to get too far out of shape we start to make excuses. Then we start to get overwhelmed with all these expectations and pressures. So we need to challenge our own thoughts, and be aware of what we're thinking and what our expectations are.
- 3 Train with others**  
It keeps you accountable and it keeps you consistent. I even have a surfing buddy, because there are days I don't feel like surfing and he says: "Come on, you know you'll feel better afterwards." I'm really glad I have someone who can take me when I'm not motivated, and someone I can share the fun with.
- 4 Identify what you're willing to do**  
Work out realistically the results that you want out of health and fitness, then start working toward them.
- 5 A goal without a plan is a dream**  
Make sure you establish some sort of strategy.
- 6 Share your goals with others**  
This way, you become instantly accountable.
- 7 Be committed**  
If you are truly committed to achieving something, you'll find a way. If you're not, you'll only find excuses.



*One of the potential pitfalls of the current environment is that low interest rates and strong sharemarket returns over the past year are tempting investors to jump into shares at these levels.*

# Insights from a fund manager

By creating tailor-made portfolios that look beyond the 'holy triffecta' of Australian shares, property and cash, advisers can help achieve more sustainable outcomes for their clients, says Michael Karagianis, Head of MLC's Private Investment Consulting team.

**Portfolio Solutions is a relatively new service offered by MLC's Private Investment Consulting. Who is it for, and what does it do?**

Portfolio Solutions is a unique consulting service for advisers that's all about achieving more sustainable and reliable outcomes for their clients. Working with advisers, we provide the expertise and support to develop sophisticated asset allocation strategies for a client's specific investment goals.

Typically, the clients who benefit from this service are those with a substantial amount to invest - high net wealth individuals and smaller institutions. But within this group, we find the clients we deal with have extremely varied requirements. So the key is to develop an individual asset allocation solution for their particular investment objectives, with the least risk and most predictable outcomes.

**How do you go about determining the ideal investment strategy for a client?**

As a starting point, we work with your adviser to understand your investment objectives and lifestyle goals. We then compare them to what your current portfolio is likely to achieve. It's extremely illustrative to go through this process - as a client, there may be a big discrepancy between what you want to achieve and what we think your current portfolio is likely to deliver.

The next step is to develop a portfolio strategy that aims to match your potential investment outcomes to your goals. To do this, we create a model of your prospective wealth across different investment scenarios. This can provide a sense of how long your financial assets are likely to last, and whether your lifestyle expectations can realistically be maintained.

Finally, we construct a sensible, personalised, well-diversified investment portfolio, that's built around your lifestyle requirements. Through this process, we've found that we can

often dramatically increase a client's probability of achieving their investment goals - without taking unnecessary and unintended risks.

**So how do you tailor a portfolio with increased potential returns, without increasing risk?**

A common mistake in portfolio construction is chasing substantially higher returns; for example, trying to double earnings on the portfolio. But most high net worth investors don't need to take on excessive risk to reach their goals, as they already have sufficient starting assets.

Rather, it's about building a portfolio that adds incrementally to expected returns without unduly risking the underlying capital. In this way, it's possible to add up to a percentage point to returns - and then allow the benefit of compounding to take effect over the long term.

We see similar portfolio mistakes made by smaller institutional clients, who perhaps haven't had access to appropriate advice in the past. Excessive risk taking and the aggressive pursuit of short-term investment returns can be counter-productive to longer-term returns, capital preservation requirements and a portfolio's ability to generate income. So we seek to persuade our institutional clients to focus on achieving more sustainable and consistent returns.

As a result, we often find that the strategies we develop for a client have less risk than their current strategy. We're building the portfolio in a more diversified manner to achieve a more reliable, and less volatile, pattern of returns over time.

**The task of building income has become more challenging in recent times, with many analysts predicting a 'new normal' of sustained lower returns. Is this something that is of concern to your clients?**

Quite often, we deal with clients whose portfolios are wholly made up of what I call the 'holy trifacta' for Australian investors - residential property, term deposits and Australian shares. In fact, many clients don't see the need for any greater diversification than that.

*A common mistake in portfolio construction is chasing substantially higher returns.*

However, we believe that there are a lot of shortcomings with this type of portfolio structure - as it can offer less diversification at higher risk than initially seems to be the case. For example, the yields available from term deposits and Australian residential property are currently too low to provide either sufficient income generation or defensiveness. And the Australian sharemarket is too concentrated around the mining and financial sectors to be adequately diversified. As a result, there are particular economic and investment scenarios that could seriously expose the shortcomings of such a narrowly constructed portfolio in the future.

**So how do the strategies you develop for clients go beyond these Australian-biased investments, and how can they benefit from greater diversification?**

Our view is that it's essential to look at a much greater diversity of investment strategies within a portfolio, by increasing exposure to asset classes such as international shares, corporate debt, equity income strategies, alternative investments and absolute return strategies.

Credit exposure - particularly corporate debt - can supplement returns without having to dramatically increase exposure to the sharemarket. Meanwhile, equity income strategies can help generate tax-effective income, with an active risk management strategy in place.

We also draw on absolute-return strategies, which allow a high degree of flexibility in creating a more attractive trade-off between a return objective and risk, by allowing a high degree of active risk management.

Bringing these types of asset classes and strategies together in a portfolio means you're not solely dependent on one investment to deliver the outcomes you're seeking. We're looking to draw as many sources of possible returns into a portfolio, to diversify the risk of any one of those sources disappointing.

**Looking ahead, what risks and opportunities do you see in the Australian and overseas sharemarkets for 2014?**

One of the potential pitfalls of the current environment is that low interest rates and strong sharemarket returns over the past year are tempting



investors to jump into shares at these levels. But there is no guarantee that the sharemarket will do equally well in 2014.

In fact, the higher valuations evident in the Australian sharemarket suggest that performance over the coming year will be more of a struggle, and will require Australian companies to deliver some reasonably significant profit growth - something that's been lacking over the past few years.

By contrast, the US market has been delivering better earnings for the last two to three years, which is why it's been one of the best performing markets. But it has to keep generating earnings to maintain that growth - which will be tough without firmer signs of economic expansion.

This doesn't necessarily imply sharemarkets are headed for a sharp correction - but they could trade sideways for a long period until earnings growth can catch up.

In a still very uncertain environment, what we seek to do is try to analyse a range of possible outcomes and build portfolios with that in mind. This is more sensible, in our view, than just focusing on one or two middle-of-the-road scenarios and building portfolios for those - potentially exposing investors to something coming in from left field.

If we can ultimately bring a client's investment portfolio closer into line with their stated objectives, and with less potential risk of a truly negative outcome, then I think we've done a very important service.

# Healthy, wealthy & wise

As the editor of popular lifestyle publication *Body + Soul*, **Gemma Sutherland** knows a lot about staying healthy and happy. But when she suspected her finances weren't in such great shape, she knew it was time to get some professional financial advice. With the help of Godfrey Pembroke Financial Advice Specialist **Craig Milroy**, Sutherland has built a financial plan that allows her to focus on achieving her lifestyle goals and values.

Gemma Sutherland  
Fourth Village Providore, Mosman

Gemma Sutherland got her start in the newspaper industry as sports editor for the *Queanbeyan Age*. “I had to do everything from taking the photos to laying out the final pages,” she said. “It was a great learning experience, but after too many run-ins with the local bowls ladies, I realised it was time to move on.”

And move on she did, pursuing what would become a lifelong passion for travel while gaining international experience as a globetrotting journalist. After stints working for papers such as Britain’s *The Sun* and Canada’s *Calgary Herald*, Sutherland decided it was time to come home to Australia.

She took her next job at Sydney’s *Daily Telegraph* before moving onto the *Sunday Telegraph* where she is now responsible for its *Body + Soul* magazine, which is syndicated around the country with a readership of 5.1 million.

### A financial health check

The articles Sutherland prints in *Body + Soul* aim to help her readers live healthier lives. In her own life, Sutherland understands the importance of regular exercise and relaxation to achieve physical and mental wellbeing, as well as making time to socialise with friends. “It’s all about being conscious of the things you do that make you feel better each day,” she said.

But while she’s always maintained a focus on her own health, Sutherland knew she was neglecting the health of her finances. In particular, her years working abroad made her realise she didn’t have enough superannuation saved.

“I don’t pay a lot of attention to finances; it’s not something that’s ever interested me,” she said. “I just need to know I have a certain amount of savings behind me for me to feel secure. And while I was overseas I wasn’t really focused on my future funds, so to come back and realise I was quite low on super made me pretty uncomfortable.”

### Mapping lifestyle goals

Despite Sutherland having little interest in finances herself, her mother had spent her career in the financial planning industry and encouraged her daughter to seek financial advice. Through her mother’s industry connections, Sutherland met with Craig Milroy two years ago and together they began looking at her financial situation.

“When Gemma came in she was concerned about her super and her savings,” said Milroy. “But one of the great things about working with Gemma is her approach to financial advice. She seeks it out, she listens to it and, most importantly, she takes that advice.”

process empowers our clients to make key decisions and understand the impact of those decisions on their lifestyle.”

This gave Sutherland the confidence she needed to take the next step in making her goals a reality.

“I knew we could afford to do it because of the work I’d done with Craig, and we were able to find our dream home. It’s a relief to know that not only can we afford it, we’ll also have some stability for the future.”

### Values-driven finance

Sutherland says that one of the things she enjoys most about working for

*“I just need to know I have a certain amount of savings behind me for me to feel secure.”*

Part of Milroy’s advice process involved lifestyle modelling to work out Sutherland’s personal goals, which she found highly beneficial for her peace of mind. “One of my goals is to not end up lying in bed at 3am wondering how I’m going to pay the bills,” she said. “So we graphed the worst-case scenario and worked backwards from there.”

On a recent overseas backpacking trip, Sutherland realised that one of her life goals was to buy her first home when she returned to Australia. This step was to also incorporate another goal - a tree change with her partner.

“We wanted to reassess our lifestyle and move out of the city, but we had no idea how to go about buying a house,” said Sutherland.

“After the lifestyle modelling process,” added Milroy, “we built a financial model showing what Gemma needed to do to achieve those life goals. This

*Body + Soul* is being inspired by stories of women who make extraordinary achievements in life, even in the face of extreme adversity.

“At least once or twice a week I get teary at the office because I’m just so humbled by what people can achieve,” she said. “It’s a great reality check: no matter how bad you think things are, there are always people in far worse situations who are doing really amazing things.”

So when Milroy recommended she take out her mortgage through a broker with a social conscience - who could also structure the loan to give Sutherland maximum flexibility - it seemed the ideal choice. The broker they chose operates a charitable foundation that helps support people living with disabilities like cerebral palsy. With every loan the broker provides, a donation goes to the foundation.

“When you’re spending such a large amount of money, it’s nice to know that a portion is going to the greater good, rather than just on things like government stamp duty,” said Sutherland.

Milroy is also a strong supporter of the foundation, and this year he was part of a team who participated in Sydney’s City 2 Surf race and collectively raised more than \$70,000 to further the foundation’s work. Milroy’s business and its partners also actively support a number of other charities, in particular Lifeline Canberra.

“There are a lot of things you can do to help the causes that are close to your heart,” said Milroy. “Incorporating philanthropic activities into your everyday life and working with companies with a strong sense of community can make such a huge difference to the many people around the world who need help.”

### A demographic shift

When they first began working together, one of the things that struck Milroy about Sutherland was her willingness to take control of her financial future at a much younger age than his usual client base.

“As recently as four years ago I would never have thought I’d have a client in Gemma’s age group,” Milroy said. “But with the stresses of work today and the high cost of living in Australia’s capital cities, people can become incredibly debt-laden at an early age. If I can help younger clients understand what’s achievable and reduce their financial worries so they can make free and open decisions without fear and stress, I feel I can really add value for this demographic. Gemma has also recently referred one of her colleagues to me, which is simply the best endorsement I can get from a client for the work I do.”

Sutherland concurred: “The younger you are when you seek out advice, the better you can set yourself up for the future. Craig has said he could probably achieve more for me than for a 70-year-old millionaire who has a lot of financial strategies already in place, whereas I had none.”

“If I’m ever worried that I don’t have enough super or if I have other financial concerns, I know I can call Craig for advice, which is great for someone like me. I’ve never taken an active interest before so it’s nice to be able to have someone else to do that worrying for you. And since it’s your whole life savings they’re looking after, it’s essential that you have someone you can trust.”



# The changing face of SMSFs

Once considered a niche option for older, richer and more financially savvy investors, self-managed super funds (SMSFs) are now the largest and fastest growing segment of the Australian super industry. We look at how this dynamic sector is changing, and what it might mean if you're thinking about starting an SMSF.

**There's no question about it - SMSFs are hot right now.** At the end of the 2012/13 financial year, there were over half a million SMSFs around the country. These held more than 31% of our total super assets - more than any other type of super fund.

In the year to March 2013, SMSF assets increased by \$68 billion to a total of \$496 billion - an increase of 16%. By contrast, retail super funds increased by just 10%.

So what's all the fuss about? According to Peter Hogan, MLC's National Manager for SMSF Advice, SMSFs are particularly appealing for those who

want more flexibility and control over how their super is invested.

"Lots of people are attracted to the SMSF structure because it allows them to invest directly, which isn't possible with many other super alternatives.

"Being able to own property directly through an SMSF also has its appeal, as does the ability an SMSF gives you to move quickly and change your investments in response to changing markets. There are also good estate-planning opportunities, which can give trustees a greater level of certainty over who their super will go to when they die."

And it seems that for many Australians, switching to self-managed super is a positive move, with SMSF investors enjoying a 72% satisfaction rating with their fund's financial performance - compared with 48.7% for industry funds and 41.9% for retail funds.

## **SMSF investors are getting younger**

One of the biggest shifts in the SMSF industry is in the demographics of its members.

As recently as 2007 to 2010, the average age of SMSF investors was 51. But between 2011 and 2013, this fell

to 47. As for the next wave of investors who intend to set up an SMSF in the coming year, the average age looks set to fall even further, with 39% of future investors under 40.

"In the last 12 months or so, the largest age group of new SMSF trustees has shifted to the under 45s for the first time," said Hogan. "Even though they might start off with relatively smaller account balances, they're looking at ways to begin saving seriously for their retirement sooner.

"People are realising that under the current superannuation rules, they'll need to invest more in super if they

## 5 things you should know before starting an SMSF

### ① Understand your obligations

As a trustee of an SMSF, you'll be responsible for meeting the fund's compliance obligations. This includes rules on how to manage investments legally, your tax and auditing requirements, and the restrictions on member contributions and when you can access your super.

### ② Have enough funds to make it worthwhile

According to the ATO, an SMSF needs to have at least \$200,000 in combined investible assets to make it financially viable. The administrative cost of running a medium-sized SMSF is around \$2,000 a year, plus you'll have to consider extra fees for services you might need along the way for things like accounting, legal and investment advice.

### ③ Don't underestimate the time commitment

While it's not a full-time job, running a successful SMSF takes time and effort. As well as watching your investments,

you need to stay on top of your compliance responsibilities and be able to manage any changes to SMSF rules. Make sure you're up to the challenge before you start.

### ④ Make informed investment decisions

There's a world of investment options available to SMSFs - all with different risk and return profiles - so it's important to know which types of investments are most suited to you and your fellow trustees. And if you're unsure, it's worth getting trusted financial advice.

### ⑤ Get help if you need it

As an SMSF trustee, the responsibility for managing the fund lies with you, but that doesn't mean you have to do it alone. Depending on your financial situation and time constraints, support is available for anything from setting up your fund to meeting your compliance requirements and administering your investments.

want to achieve their retirement goals. It's good that the message is getting out there and investors are making more conscious decisions about their savings to ensure their retirement will be well funded."

### SMSFs are growing

The size of SMSFs is also changing - with the average balance for funds reaching \$1.08 million in April 2013, up from \$770,000 in 2008.

Hogan says that having a high level of funds allows for a greater level of diversification - and a higher potential for gains.

"The average SMSF account balance is now well over \$500,000 and the average fund size is over \$1 million, because most funds have two members," said Hogan.

"It's interesting to see that the larger funds tend to outperform the smaller ones, which in turn perform better than alternative super arrangements. Having a good-sized fund makes diversification easier because it means you can invest in one asset class without having to move all your money out of another asset class."

### A changing investment mix

Peter Wilson, CEO and founder of financial planning firm Strategic Wealth Management Solutions, agrees that having a diversified portfolio is one of the keys to a successful SMSF. "Often we see SMSFs that don't diversify enough," he said.

"They might have too much invested in defensive assets like cash, or they might go the other way and have too much invested in direct shares or property. And if SMSF trustees find themselves in that situation, it's important that they know how and where to move their investments to create a better balance."

While the ability to invest in property is often cited as a reason to set up an SMSF, investment properties currently make up only 6% of SMSF investments, while commercial property investments are at just 5%.

Recently, SMSF investors have increased their investment in direct shares, which make up 45% of SMSF investments, compared with 24% in 2009. Cash and cash products still constitute a high proportion of investments at 26%, but demand for managed funds is falling.

While control over investments is a key driver of SMSF uptake, Wilson says it's important to remember that they're far from being a 'set and forget' investment strategy.

"People need to fully understand the strategies they're employing and why they're employing them," said Wilson. "They should also understand which strategies are best for the fund's individual members at different stages, like the accumulation phase or the pension phase. So we prefer to look at a client's situation holistically and consider SMSFs as part of a bigger picture."

### Getting the right advice

Running an SMSF comes with a range of legal requirements around recording transactions, reporting to the ATO and having the fund audited each year. SMSF investors should also commit to keeping an eye on their investments to make sure they're moving in the right direction.

"Not all trustees are aware of exactly what's required of them, which is understandable because the laws are complex and can change frequently. Even so, it's surprising how often the most basic documents needed for an SMSF - like an investment strategy or an insurance strategy - aren't written in a legally compliant way. But with good, structured advice and ongoing management, the compliance and paperwork responsibilities involved can be very manageable and not as burdensome as with some other investment options."

Seeking advice before deciding to start an SMSF can also help determine whether it's the right move for you.

"As well as considering whether the benefits will outweigh the costs for clients in the long term, we take into account things like their ability to consolidate family investments, as well as any tax advantages that might be available to them," said Wilson. "It's also important to gauge the level of control and degree of transparency they want when it comes to their investments, or whether they just see those investments as a means to an end."



# Cutting-edge *Christmas ideas*

It's the most expensive time of year when we eat, drink and be merry, and lavish our nearest and dearest with gifts. Yet despite the bills we're racking up, many of us are still giving Christmas gifts that could well end up on eBay. So if you're stuck for ideas, here are some of the latest and greatest gadgets that your loved ones are sure to enjoy.

Christmas is just around the corner - so get ready for some serious spending. A RateCity analysis of The Reserve Bank of Australia credit card data revealed that last Christmas, Australians spent more than \$22.5 billion on their credit cards and withdrew \$757 million in cash advances.

And this was far more than we had budgeted for, according to Commonwealth Bank research. A survey for the 2012 festive season found that Australians planned to spend \$16.2 billion over the Christmas and New Year period. A breakdown of that budget included:

- \$554 million on food and drink for the home
- \$359 million on going out to eat and drink
- \$3.7 billion on going away (that's an average of \$1,152 each for the 3.3 million Australians who said they were taking a holiday).

And let's not forget gifts. A survey on Australians' Christmas gift-giving habits, commissioned by eBay, showed that Aussies spent \$662 on Christmas presents on average - a grand total of \$8.5 billion. And it turns out that much of this money is as good as wasted,

with more than half the respondents saying they received at least one gift they didn't want.

## What not to buy for Christmas

When you're thinking of that perfect gift for someone special, there are a few things you should avoid. When consumer group Choice asked its readers to tell them what gifts they had appreciated the least, these five gifts topped the list:

- Electric wine chillers.
- Aromatherapy diffusers.
- Electric ice shavers.
- Foot spas.
- Ice cream makers.

Technology, however, is likely to please most people and is now a major source of gift ideas. Tablets, iPods and mobile phones are always popular, and the soon-to-be launched Xbox One and PlayStation Four are also likely to be big sellers this Christmas.

But if you're looking to splurge on something a bit different this year, we've put together a list of interesting and unique gifts that's sure to delight even the hardest to please.

## Great gadget gifts for everyone in your life

### THE CONTROL FREAK

Did I leave the iron on? Are the kids home yet? What if someone breaks in when I'm not there? Help soothe a loved one's worried mind with a Ninja block kit. Ninja blocks are equipped with sensors that can detect



temperature, motion, sound, light, and distance, as well as controlling things like lights and motors. They can be connected to web-based programs such as Facebook or Twitter, so the user can access them when they're not around.

You can use Ninja blocks to do all sorts of handy stuff, such as turn off that iron you left on, or put the heater on 10 minutes before you get home. It can also text you when your children arrive home safely, or help foil an attempted break-in by texting you if a window or door gets opened while you're out. You can even use it to keep your wine collection at the right temperature.

[ninjablocks.com](http://ninjablocks.com)

### THE FITNESS FANATIC

Just in time for those health and fitness New Year's resolutions, the UP wristband and its corresponding iPhone app give its wearer all the vital statistics on their journey to health and fitness.



Wearers can track the distance they've covered, the calories they've burned, the pace and intensity level of the exercise they're doing and much more. The wristband even tracks the hours and quality of their sleep, and allows them to record what they eat and how it makes them feel.

[jawbone.com/up](http://jawbone.com/up)

### THE UP AND COMING INVENTOR

A cross between LEGO and an electronics set, littleBits is the perfect gift for the budding designer or electronic engineer.

littleBits is a set of electronic modules that connect with tiny magnets. Each 'bit' or module has its own function - as a light, sensor, button, motor, and so on - that you can snap on to another module to make your very own electronic creation.



A great gift for your kids - or kids at heart.

[littlebits.com](http://littlebits.com)

### THE BUDDING PHOTOGRAPHER

These days it's easy to whip out a phone and photograph whatever takes our fancy - whether it's the kids, a special moment, or a selfie with a friend. Yet many of those photos get deleted or lost in a Facebook feed.



With the Canon SELPHY CP900 printer, you can get a hard copy of all those smartphone and tablet shots - instantly. It's totally portable, compact, and prints from smartphones and tablets using Wi-Fi. You can also use the SELPHY to fix up unflattering red eye or bad lighting. Best of all, it gives

you instant, lab-quality prints - just like you used to get.

The SELPHY CP900 will also print directly from a camera, memory card or a USB stick and gives you a range of photo sizes to choose from.

[canon.com.au](http://canon.com.au)

### THE PERSON WHO HAS EVERYTHING

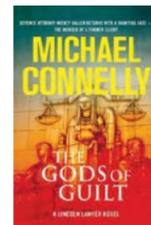
The latest iPad or iPhone is a practical gift, but isn't terribly original - unless, of course, it's trimmed with diamonds. English designer Stuart Hughes claims he has made the most expensive



iPhone in the world: crafted out of solid gold, with a 26 carat single deep-cut black diamond as its home button, it costs a cool £10 million.

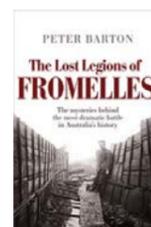
If that's a little steep, how about a Supreme Ice Edition iPad? Made from solid platinum, it retails at £129,995. Or if you really want to impress, you could give your loved one the most expensive games console on the planet - the 22-carat gold Nintendo Wii SUPREME with 78 flawless diamond buttons, which will set you back £299,995.

[stuarthughes.com](http://stuarthughes.com)



**THE GODS OF GUILT**  
Michael Connelly  
*Allen & Unwin*

Defence attorney Mickey Haller returns with a haunting case - the murder of a former client. Haunted by the ghosts of his past, Mickey must work tirelessly and bring all his skill to bear on a case that could mean his ultimate redemption or proof of his ultimate guilt.



**THE LOST LEGIONS OF FROMELLES**  
Peter Barton  
*Allen & Unwin*

Controversial and groundbreaking, this is the most authoritative book ever written on the battle of Fromelles, the worst day in Australia's military history.



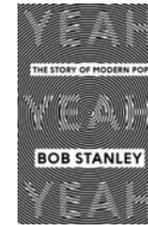
**THE RECIPE BOX**  
Sandra Lee  
*Allen & Unwin*

A heartwarming and enchanting novel about family, friendship, forgiveness and healing power of cooking, that proves that you can go home again, and that sometimes that's exactly where you belong.



**BARRACUDA**  
Christos Tsiolkas  
*Allen & Unwin*

Tender, brutal and blazingly brilliant, the new novel from the acclaimed author of the international bestseller *The Slap* takes an unflinching look at modern Australia - at our hopes and dreams, our friendships, and our families - and asks what it means to be a good person and what it takes to become one.



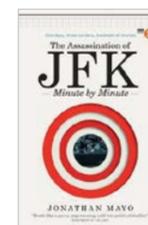
**YEAH YEAH YEAH**  
Bob Stanley  
*Faber*

There have been many books on pop but very few, if any, have attempted to bring the whole story to life from rock 'n' roll to house and techno in all its various subpermutations. Audacious and addictive, *Yeah Yeah Yeah* is a one-stop pop shop for the music lover everywhere.



**WHAT A WONDERFUL WORLD**  
Marcus Chown  
*Faber*

Beautifully accessible explanations of the complex forces that shape our world, from economics to physics, biology to philosophy, from the acclaimed science writer.



**THE ASSASSINATION OF JFK**  
Jonathan Mayo  
*Faber Short Books*

This book is not about conspiracy theories or political intrigue, it's concerned only with the people - from the highest to the lowest - who were caught up in a four-day whirlwind in November 1963.



**PLAYING ON**  
Alessandro Del Piero  
*Allen & Unwin*

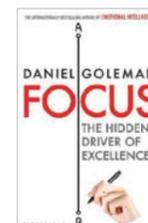
Alessandro Del Piero offers the wisdom of a man who's been through everything, both with and against the very best, and for the first time he's sharing those stories with us.

## 10 great Summer reads



**THE YELLOW EYES OF CROCODILES**  
Katherine Pancol  
*Allen & Unwin*

This is a novel about men and women. The women we are, the women we would like to be, the women we shall perhaps one day become. It is also a novel about love, friendship, betrayal, money, dreams and a little white lie and its hilarious, life-changing consequences.



**FOCUS**  
Daniel Goleman  
*Bloomsbury*

For more than two decades, psychologist and journalist Daniel Goleman has been scouting the leading edge of the human sciences for what's new, surprising, and important. In *Focus*, he delves into the science of attention in all its varieties, presenting a long overdue discussion of this little-noticed and under-rated mental asset that matters enormously for how we navigate life.

## Important information

This advice may not be suitable to you because it contains general advice that has not been tailored to your personal circumstances. Please seek personal financial advice prior to acting on this information.

Before acquiring a financial product a person should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents of the PDS before making a decision about whether to acquire the product.

Past performance is not a reliable guide to future returns as future returns may differ from and be more or less volatile than past returns.

The material contained in this document is based on information received in good faith from sources within the market, and on our understanding of legislation and Government press releases at the date of publication, which are believed to be reliable and accurate.

Opinions constitute our judgement at the time of issue and are subject to change. Neither Godfrey Pembroke Limited or any of the National Australia Group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document.

From time to time members of the National Australia Group of companies, associated employees or agents may have an interest in or receive monetary or other benefits from the financial products and services mentioned in this document. Godfrey Pembroke Limited is associated with issuers of MLC Investments Limited, MLC Limited, WealthHub Securities Limited, Jana Investment Advisers Pty Limited, PFS Nominees Pty Ltd, MLC Nominees Pty Ltd, Aviva Australia Holdings Limited and National Australia Bank Limited products and services.

Godfrey Pembroke Limited ABN 23 002 336 254, an Australian Financial Services Licensee, registered office is at 105-153 Miller Street North Sydney NSW 2060 and is a member of the National Australia Group of companies.

---

**Toll Free Enquiry Line**  
1800 023 867

---

[godfreypembroke.com.au](http://godfreypembroke.com.au)

---



**GODFREY PEMBROKE**

*Financial Advice Specialists*